

Dear Friends,

On Monday night, the Mayor presented her budget to the City Council. As expected, it painted a very different picture of our municipal finances than was anticipated a few months ago. In the fiscal year that begins on July 1, revenue from hotel and meals taxes, parking meters, and some other sources is expected to be lower at the same time that we face additional costs in dealing with the COVID-19 crisis. We have and will continue to need to make difficult choices as we provide essential city services, educate our children, and help the most vulnerable in our community.

Over the next month, the City Council will review and analyze the budget. Our budgetary authority is limited. We can pass resolutions asking the Mayor to change spending in certain areas but we cannot unilaterally increase spending. Ultimately, our vote is to accept or reject the proposed budget. Here are four areas to note:

- *School finances.* Our schools will not be greatly impacted in this new budget. The school department will still see a 2.9% increase in funding next year, although this is \$1.5 million less than was proposed a few weeks ago. This reduction will be made through \$1 million in cost savings from this year's budget (such as reduced utility costs due to school closures) and \$500,000 in deferred summer maintenance projects. While as a strong supporter of our schools, I am pleased to see them basically fully funded, we do need to acknowledge issues regarding this allocation. *First*, applying cost savings from this year's budget is a one-time fix, not a solution to a gap that is going to continue in coming years. *Second*, while deferring maintenance may be appropriate in the short-term, we need to be very careful not to let this become a pattern. If we do, we are likely to face far higher costs going forward from having to repair poorly maintained buildings (it is no different than deferring maintenance of a house or a car). *Third*, most of the budget shortfall is being absorbed by the city side of the budget. I expect that we will be discussing this issue, and what it means for city services, during our budget deliberations
- *Capital improvements and pensions.* In order to balance this year's budget, the Mayor is proposing to pause many of our major capital projects and reduce our funding of our pension liability. These are appropriate decisions in the short-term but, as with maintenance of our school buildings, we must be vigilant to ensure that we restore the funding to prior levels (and more, accounting for inflation) in future budgets. One of the reasons that we need to

spend so much on our roads, buildings, and pensions is because we underfunded them for years. We cannot repeat this mistake.

- *Personnel.* While the proposed budget does not call for any layoffs of existing personnel (a number of part-time employees were already furloughed), it does call for the elimination of a number of currently unfilled positions and defers filling many other vacancies. The City Council will be reviewing which positions are slated to be eliminated or remain unfilled and whether these are the right policy decisions as we strive to provide the best possible services to our residents.
- *What happens over the course of the next couple of years.* Predicting the future is always fraught with uncertainty. In this year's budget, the Mayor has decided not to use our rainy day fund to make up the budget shortfall. I think that is a reasonable decision. We do not know how many months we will continue to be under some form of social distancing requirements or how long the economy will remain in a recession. We could be faced with additional shortfalls in revenue, including reductions in federal and state aid and possible declines in property tax revenue if residents and businesses are unable to pay property taxes on time while we may be incurring increased costs in maintaining public health and assisting our most vulnerable residents. While today may seem rainy, we are best off keeping these funds in reserve.

As always, I welcome your thoughts, questions, comments, and criticisms. Please stay safe and healthy.

Thanks,

Marc